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TOWNSHIP OF STANDISH
ARENAC COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2008

AUDITORS' REPORT

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June 11, 2008

Independent Auditors' Report

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Standish, Arenac County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, as listed in the index. These financial statements are the responsibility of the Township of Standish's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Standish, Arenac County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2008, on our consideration of the Township of Standish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 2, the Township of Standish has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2008.

Stephenson, Gracik & Co., P.C.

STANDISH TOWNSHIP
ARENAC COUNTY
4997 Arenac State Road
P.O. Box 472
Standish, MI 48658

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of Standish's (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government. This analysis, a requirement of Governmental Accounting Standards Board Statement 34 (GASB 34), omits certain comparative data that will be available in future years.

Financial Highlights

- The Township's assets exceeded its liabilities by \$539,484.
- The Township's total net assets increased by \$56,508.
- The Township's governmental funds reported a combined ending fund balance of \$500,692 this year, an increase of \$57,478. Of this amount, \$500,692 is available for spending (*unreserved fund balance*) on behalf of its citizens. The Township's General Fund 2008 year end *fund balance* is \$405,759.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for its' fiduciary fund. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or functions of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program activity is self-financing or draws from the general revenues of the Township.

With this report, all capital assets are listed for the first time under GASB 34 for the Township of Standish. These assets are comprised of buildings, machinery and equipment and land owned by the Township. These assets total over \$53,000. Township management and staff performed an inventory and evaluation of assets over \$1,800 and categorized a depreciation schedule for assets not fully depreciated.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: *Governmental and Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state revenue.
- Garbage Collection Fund – This fund is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection in the Township.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes and fines and forfeitures collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements.

Government-Wide Financial Analysis

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

Summary of Net Assets:

The following summarizes the net assets of the Township of Standish at March 31, 2008:

Net Assets Summary

	Governmental Activities
Current Assets	\$ 522,172
Capital Assets – net	<u>38,792</u>
Total Assets	<u>560,964</u>
Current Liabilities	21,480
Net Assets	
Invested in Capital Assets	38,792
Unrestricted	<u>500,692</u>
Total Net Assets	<u>\$ 539,484</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for 2008. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2007 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Generally speaking, the Township's net assets represent the difference between assets and liabilities.

	Governmental Activities
Program Revenues:	
Charges for Services	\$ 133,322
Operating Grants and Contributions	<u>3,620</u>
Total Program Revenues	<u>136,942</u>
General Revenues:	
Property Taxes	43,463
State Revenue Sharing	139,353
Investment Earnings and Miscellaneous	<u>16,718</u>
Total General Revenues	<u>199,534</u>
Total Revenues	<u>336,476</u>
Program Expenses:	
General Government	97,199
Public Safety	44,665
Public Works	127,775
Community and Economic Development	<u>10,329</u>
Total Program Expenses	<u>279,968</u>
Change in Net Assets	56,508
Beginning Net Assets	<u>482,976</u>
Ending Net Assets	<u>\$ 539,484</u>

Governmental Activities

With GASB 34 implementation, this new component of reporting reflects the *Statement of Activities* and illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$136,942 from *Charges for Services and Operating Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of property taxes, special assessments, fine and forfeitures, and licenses & permits. While revenue collected is substantial, operating expenses totaled \$279,968 for these same activities. The largest expenses were incurred by General Government offices (\$97,199) and Public Works (\$127,775).

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state revenue; 2) Garbage Collection Fund – This fund accounts for the collection of refuse in the Township. Revenues are derived primarily from a special assessment levy.

This year's Township audit, following the GASB 34 format, shows 3 funds. The Township Treasurer maintains these funds as separate units in the General Ledger.

Budgetary Highlights

General Fund Budgetary Highlights

The Township's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund and the Garbage Collection Fund.

During the fiscal year ended March 31, 2008 the Township Board amended the budgets of their major governmental funds a couple of times, none significantly.

General Fund

The General Fund actual revenue was \$218,309. That amount is above the original and final budget estimate of \$213,200. The General Fund actual expenditures were \$173,364, which is below the original budget of \$213,200 and the final budget of \$209,184.

Garbage Collection Fund

The Garbage Collection Fund actual revenue was \$118,167. That amount is above the original and final budget estimate of \$82,400. The actual expenditures were \$105,364 which are above the original budget amount of \$82,408 and the final budget amount of \$86,418. The differences are due to the Township not taking into consideration year end accruals in their budget amounts.

Capital Assets

Of primary interest with this year's Township financial statements is the inclusion of "capital assets." The Township defines capital assets as assets with an initial individual cost of more than \$1,800 and an estimated useful life in excess of five years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital Assets – Governmental Activities beginning and ending balance was \$53,248. Governmental Activities Total Capital Assets – Net of Depreciation was \$38,792.

Economic Factors

The Standish Township Board and management staff is working diligently to keep expenditures down and to maintain revenue levels that are within their control. Property taxes and state revenue account for approximately 87% of the Township's General Fund revenues. In 2008-2009 the Township will collect more in property taxes due to new businesses and new construction. Revenue sharing from the State of Michigan is beyond the control of the Township.

The Board and staff will continue to monitor revenues and expenditures and take appropriate action to account for changes in economic factors.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Standish, 4997 Arenac State Road, P.O. Box 472, Standish, Michigan 48658.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents (Note 3)	\$ 206,135
Investments (Note 3)	290,988
Receivables:	
Property Taxes	23,717
Due from Fiduciary Funds (Note 4)	1,332
Noncurrent Assets:	
Capital Assets, Net (Note 5)	<u>38,792</u>
Total Assets	<u>560,964</u>
<u>Liabilities</u>	
Accounts Payable	19,224
Accrued Liabilities	<u>2,256</u>
Total Liabilities	<u>21,480</u>
<u>Net Assets</u>	
Invested in Capital Assets	38,792
Unrestricted	<u>500,692</u>
Total Net Assets	<u>\$ 539,484</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Function/Program				Net (Expense)
				Revenue and
				Changes in
		Program Revenues		Net Assets
				Primary
				Government
	Expenses	Charges for	Operating	Governmental
		Services	Grants and	Activities
			Contributions	
<u>Primary Government</u>				
Governmental Activities:				
General Government:				
Legislative and Executive	\$ 19,036	\$ 0	\$ 0	\$ (19,036)
Financial and Tax Administration	48,971	4,208	0	(44,763)
Other General Government	29,192	4,535	0	(24,657)
Public Safety:				
Fire	44,665	0	0	(44,665)
Public Works:				
Other Public Works	127,775	122,904	3,620	(1,251)
Community and Economic Development	10,329	1,675	0	(8,654)
Total Governmental Activities	\$ <u>279,968</u>	\$ <u>133,322</u>	\$ <u>3,620</u>	<u>(143,026)</u>
General Revenue:				
Property Taxes Levied For:				
General Operating				43,463
State Revenue Sharing				139,353
Interest and Investment Earnings				14,533
Rent Income				475
Other				1,710
Total General Revenue				<u>199,534</u>
Change in Net Assets				56,508
Net Assets - Beginning				<u>482,976</u>
Net Assets - Ending				<u>\$ 539,484</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2008

	<u>General Fund</u>	<u>Garbage Collection Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 3)	\$ 110,078	\$ 96,057	\$ 206,135
Investments (Note 3)	290,988	0	290,988
Receivables:			
Property Taxes	5,617	18,100	23,717
Due from Other Funds (Note 4)	<u>1,332</u>	<u>0</u>	<u>1,332</u>
Total Assets	<u>\$ 408,015</u>	<u>\$ 114,157</u>	<u>\$ 522,172</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 19,224	\$ 19,224
Accrued Liabilities	<u>2,256</u>	<u>0</u>	<u>2,256</u>
Total Liabilities	<u>2,256</u>	<u>19,224</u>	<u>21,480</u>
<u>Fund Equity</u>			
Fund Balances:			
Unreserved:			
Undesignated, Reported In:			
General Fund	405,759	0	405,759
Special Revenue Funds	<u>0</u>	<u>94,933</u>	<u>94,933</u>
Total Fund Equity	<u>405,759</u>	<u>94,933</u>	<u>500,692</u>
Total Liabilities and Fund Equity	<u>\$ 408,015</u>	<u>\$ 114,157</u>	<u>\$ 522,172</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
March 31, 2008

Total Governmental Fund Balances	\$	500,692
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:

Capital Asset Cost	\$	53,248	
Accumulated Depreciation		<u>(14,456)</u>	<u>38,792</u>

Total Net Assets - Governmental Activities	\$	<u><u>539,484</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2008

	<u>General Fund</u>	<u>Garbage Collection Fund</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>			
Property Taxes	\$ 47,671	\$ 0	\$ 47,671
State Revenue	142,973	0	142,973
Licenses and Permits	1,675	0	1,675
Charges for Services	4,535	0	4,535
Interest and Rentals	14,241	767	15,008
Special Assessments	5,504	117,400	122,904
Other Revenue	1,710	0	1,710
Total Revenue	<u>218,309</u>	<u>118,167</u>	<u>336,476</u>
<u>Expenditures</u>			
Current:			
General Government:			
Legislative	9,485	0	9,485
Chief Executive	8,000	0	8,000
Financial and Tax Administration	43,507	0	43,507
Other General Government	21,994	0	21,994
Public Safety	44,665	0	44,665
Public Works	22,141	105,634	127,775
Community and Economic Development	9,791	0	9,791
Other	13,781	0	13,781
Total Expenditures	<u>173,364</u>	<u>105,634</u>	<u>278,998</u>
Excess of Revenue Over Expenditures	44,945	12,533	57,478
Fund Balances - Beginning of Year	<u>360,814</u>	<u>82,400</u>	<u>443,214</u>
Fund Balances - End of Year	<u>\$ 405,759</u>	<u>\$ 94,933</u>	<u>\$ 500,692</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Total Net Change in Fund Balances - Governmental Funds	\$ 57,478
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Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Current Year Depreciation Expense	<u>(970)</u>
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Change in Net Assets of Governmental Activities	\$ <u><u>56,508</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
March 31, 2008

	<u>Trust and Agency Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents (Note 3)	\$ <u><u>1,332</u></u>
<u>LIABILITIES</u>	
Due to Other Funds (Note 4)	\$ <u><u>1,332</u></u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Standish (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Township of Standish operates under an elected Township Board (five members) and provides services to its residents in many areas including road maintenance, refuse collection, and fire protection. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs of services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township approves the budget, the issuance of debt, or the levying of taxes. The Township does not have any component units.

C. Joint Venture

The Township has entered into one joint venture with various municipalities described as follows:

The Standish Area Fire Authority

The Standish Area Fire Authority was established as a joint venture between the City of Standish, Township of Lincoln, and the Township of Standish. The Authority was established to provide fire protection services to the constituent municipalities. The agreement requires each constituent municipality to contribute an amount that is at least 1.0 mill of the total taxable valuation. The Township of Standish's contribution for the year ended March 31, 2008 was \$44,665. Complete financial statements can be obtained from the Standish Area Fire Authority's office located in the Township of Lincoln fire hall, Standish, Michigan.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support. The Township does not currently have any business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state revenue.

Garbage Collection Fund - This fund is used to account for a special assessment levy for the purpose of providing garbage and rubbish collection.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses these funds to account for current tax collections..

F. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), interest, grants and rent.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

I. Receivables

Receivables generally consist of accounts (fees), property taxes, special assessments, and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The allowance for doubtful accounts at March 31, 2008 was \$0.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances". Balances due from/to fiduciary funds and component units are also reported on the government-wide statement of net assets.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are defined by the government as assets with an initial individual cost of more than \$1,800 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township does not possess any infrastructure. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Buildings and Improvements	25 - 50 years
Machinery and Equipment	5 - 10 years

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2008.

P. Budgets and Budgetary Accounting

The Township of Standish normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts budgets for the General Fund and Special Revenue Fund.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

Q. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For 2008, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" in their entirety as required by the Local Audit and Finance Division of the Treasury Department of the State of Michigan.

GASB Statement No. 34 creates new basic financial statements for reporting on the Township's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting. The government-wide financial statements split the Township's programs between governmental activities and business type activities. The Township does not currently have any business-type activities.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 206,135	\$ 1,332	\$ 207,467
Investments	<u>290,988</u>	<u>0</u>	<u>290,988</u>
Total	<u>\$ 497,123</u>	<u>\$ 1,332</u>	<u>\$ 498,455</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ <u>498,455</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$149,525 of the Township's bank balance of \$514,242 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk and Foreign Currency Risk

The Township's investment policy does not address interest rate risk and foreign currency risk.

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations
- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- United States government or federal agency obligation repurchase agreements
- Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2008 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 1,332	\$ 0
Fiduciary Funds	<u>0</u>	<u>1,332</u>
	<u>\$ 1,332</u>	<u>\$ 1,332</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amounts of interfund receivables and payables for individual funds as of March 31, 2008 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ <u>1,332</u>	Tax Collection Fund	\$ <u>1,332</u>

These balances result from the time lag between the dates that fiduciary funds collect property taxes and the dates payments are made to the governmental funds.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2008, was as follows:

	<u>Balance 04/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 03/31/08</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ <u>33,536</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>33,536</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	8,420	0	0	8,420
Machinery and Equipment	<u>11,292</u>	<u>0</u>	<u>0</u>	<u>11,292</u>
Subtotal	<u>19,712</u>	<u>0</u>	<u>0</u>	<u>19,712</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,420)	0	0	(8,420)
Machinery and Equipment	<u>(5,066)</u>	<u>(970)</u>	<u>0</u>	<u>(6,036)</u>
Subtotal	<u>(13,486)</u>	<u>(970)</u>	<u>0</u>	<u>(14,456)</u>
Capital Assets Being Depreciated	<u>6,226</u>	<u>(970)</u>	<u>0</u>	<u>5,256</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>39,762</u>	\$ <u>(970)</u>	\$ <u>0</u>	\$ <u>38,792</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	
General Government:	
Other General Government	\$ <u>970</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$44,524,061. The tax rate was .8750 mills for operations.

TOWNSHIP OF STANDISH
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2008

NOTE 7 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2008, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Garbage Collection Fund/Public Works	\$ 86,418	\$ 105,634	\$ 19,216

NOTE 8 - RETIREMENT PLAN

The Township has a defined contribution pension plan with Met Life Insurance Company effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan. Each employee must contribute 7.5% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.5% of the employee's gross earnings.

During the year, the Township's contributions amounted to \$2,536, which was 7.5% of the covered payroll period. Employees' contributions amounted to \$2,536. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 9 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. Accrued unemployment compensation was \$0 as of March 31, 2008.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 42,321	\$ 42,321	\$ 47,671	\$ 5,350
State Revenue	141,900	141,900	142,973	1,073
Licenses and Permits	1,576	1,576	1,675	99
Charges for Services	4,000	4,000	4,535	535
Interest and Rentals	16,600	16,600	14,241	(2,359)
Special Assessments	3,800	3,800	5,504	1,704
Other Revenue	3,003	3,003	1,710	(1,293)
Total Revenue	<u>213,200</u>	<u>213,200</u>	<u>218,309</u>	<u>5,109</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	7,457	9,543	9,485	58
Chief Executive	8,181	8,181	8,000	181
Financial and Tax Administration	41,362	44,070	43,507	563
Other General Government	15,000	22,669	21,994	675
Public Safety	44,806	44,806	44,665	141
Public Works	75,194	55,620	22,141	33,479
Community and Economic Development	6,000	9,791	9,791	0
Other	15,200	14,504	13,781	723
Total Expenditures	<u>213,200</u>	<u>209,184</u>	<u>173,364</u>	<u>35,820</u>
Excess of Revenue Over Expenditures	0	4,016	44,945	40,929
Fund Balances - Beginning of Year	<u>360,814</u>	<u>360,814</u>	<u>360,814</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 360,814</u>	<u>\$ 364,830</u>	<u>\$ 405,759</u>	<u>\$ 40,929</u>

TOWNSHIP OF STANDISH
Arenac County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GARBAGE COLLECTION FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Interest and Rentals	\$ 0	\$ 0	\$ 767	\$ 767
Special Assessments	<u>82,400</u>	<u>82,400</u>	<u>117,400</u>	<u>35,000</u>
Total Revenue	82,400	82,400	118,167	35,767
<u>Expenditures</u>				
Current:				
Public Works	<u>82,408</u>	<u>86,418</u>	<u>105,634</u>	<u>(19,216)</u>
Excess of Revenue Over (Under) Expenditures	(8)	(4,018)	12,533	16,551
Fund Balances - Beginning of Year	<u>82,400</u>	<u>82,400</u>	<u>82,400</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 82,392</u>	<u>\$ 78,382</u>	<u>\$ 94,933</u>	<u>\$ 16,551</u>



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

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Kyle E. Troyer, CPA

Herman A. Bertuleit

June 11, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Township Board
Township of Standish
Arenac County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Standish, Arenac County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township of Standish's basic financial statements and have issued our report thereon dated June 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Standish's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Standish's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Standish's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Standish's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Standish's financial statements that is more than inconsequential will not be prevented or detected by the Township of Standish's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Financial Statement Preparation

The Township of Standish prepares various financial information throughout the year to assess operations and the financial condition of the Township. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Township relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

Members of the Township Board
Township of Standish
June 11, 2008

The Township of Standish has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Township is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Township would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Standish's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to not be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Standish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described below.

Budget Control

We noted that the Township's Garbage Collection Fund included expenditures in one activity that exceeded the appropriated amount. We recommend that the Township continue to amend the budgets for all funds as needed and take into consideration recurring year end audit adjustments.

We noted one other matter that we reported to management of the Township of Standish in a separate letter dated June 11, 2008.

View of Responsible Officials and Planned Corrective Actions:

Financial Statement Preparation

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Budget Control

The Township will continue to amend the budgets for all funds as needed and take into consideration recurring year end audit adjustments.

The Township of Standish's response to the findings identified in our audit are described above. We did not audit the Township of Standish's response and, accordingly, we express no opinion on it.

Members of the Township Board
Township of Standish
June 11, 2008

This report is intended solely for the information and use of management, the Members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grunh & Co., P.C.



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June 11, 2008

Members of the Township Board
Township of Standish
Arenac County, Michigan

Dear Board Members:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Standish for the year ended March 31, 2008, and have issued our report thereon dated June 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 06, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Standish. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Standish's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 22, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Standish are described in Note 1 to the financial statements. As described in Note 2, the Township of Standish has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit adjustments, which include material misstatements detected as a result of audit procedures, were provided to and corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 11, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Members of the Township Board
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In planning and performing our audit of the financial statements of the Township of Standish for the year ended March 31, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. As a result of our consideration of the internal controls and tests of compliance as described in the third and fourth paragraphs, we offer the following recommendations for consideration.

Financial Statement Preparation

The Township of Standish prepares various financial information throughout the year to assess operations and the financial condition of the Township. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the Township relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The Township of Standish has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Township is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Township would not be in a position to detect the errors or omissions.

Budget Control

We noted that the Township of Standish's Garbage Collection Fund included expenditures in one activity that exceeded the appropriated amount. We recommend that the Township continue to amend the budgets for all funds as needed and take into consideration recurring year end audit adjustments.

Investment Policy

The Township's policy has not been updated for Government Accounting Standards (GASB Statements) No. 40 - Deposit and Investment Risk Disclosures. We recommend that the Township update their investment policy to comply with GASB No. 40.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of Township of Standish.

This information is intended solely for the use of management, the Members of the Township Board, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Grain & Co., P.C.